



May 7, 2004

**VIA HAND DELIVERY & ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**Re: Docket 3463 – 2003 Demand Side Management Year-End Report**

Dear Ms. Massaro:

Pursuant to the Amended Settlement of the Parties (“Settlement”) approved by the Commission in Docket 3463, enclosed on behalf of the Narragansett Electric Company (“Narragansett” or “Company”) are ten copies of the Company’s 2003 Demand Side Management (“DSM”) Year-End Report. In accordance with Section VIII.B. of the Settlement, Narragansett is required to file with the Commission a report describing the actual year-end results of its 2003 DSM programs. A copy of this Report has also been provided to the parties in this proceeding.

Thank you for your attention to our filing. Please contact me if you have any questions regarding this matter.

Very truly yours,

Thomas G. Robinson

Enclosures

Cc: Docket 3463 Service List

*2003 DSM Year-End Report*

*for*

*The Narragansett Electric  
Company*

May 7, 2004



**National Grid**

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# The Narragansett Electric Company

## 2003 DSM Year-End Report

### Introduction

This report describes the cumulative results for 2003 of The Narragansett Electric Company's (Company's) commercial and industrial (C&I) and residential demand-side management (DSM) programs.

For the 2003 DSM programs, the Company established a goal to achieve 13,085 annual kW demand reduction and 42,730 annual MWh energy savings. Year-end results indicate the programs attained 16,325 annual kW demand and 54,378 annual MWh energy savings. The cost-effectiveness of the 2003 programs using the Rhode Island Benefit/Cost Test is 3.03.

The chart below summarizes year-end program expenditures compared to budgeted amounts, as established with the effective date of the final budget transfer of October 1, 2003.

<i>Comparison of Expenditures, 2003</i>		
	Budget, \$Million	Year-End, \$Million
Total Expenditures and Commitments <sup>1</sup>	\$23.1	\$22.8
Total Expenditures, excluding Commitments	\$17.4	\$17.6
Total Implementation Expenses, residential and C&I programs <sup>2</sup>	\$16.1	\$16.0

As seen above, at year-end, the Company spent \$16.0 million in 2003 on the residential and commercial and industrial programs, which began to generate energy savings in 2003. The Company also made \$5.2 million in commitments for future projects in the Large C&I programs.

Table 1 shows the 2003 year-end performance for all of the C&I and residential programs compared with annual goals and approved budgets. Overall, the programs achieved approximately 127% of targeted annual energy savings and 125% of targeted annual kW savings, while using 99% of the implementation budget for the DSM programs.

<sup>1</sup> This line includes all demand-side management program-related expenses, including rebates, A&G, evaluation, expenses to be repaid by customer co-payments, commitments for future years, and Company incentive. Total Budgeted Expenditures and Commitments are from the Budget Modification Memorandum in Docket 3463, filed May 30, 2003 ("True-Up Filing"), Revised Attachment 4, page 2 of 2.

<sup>2</sup> This line includes all program implementation expenses. They are net of the co-payment amounts paid directly by Small Business Program participants and paid by Large C&I customers for technical assistance. Implementation expenses also exclude evaluation expenses and the Company's incentive. See Table 1 notes for details on co-payments and Table 3 for details on the evaluation expenses and incentive.

Table 2 shows the value created by the projected lifetime MWh and kW-year savings from the DSM programs. The programs created \$51.7 million in total value, of which \$48.4 million was from electricity savings and \$3.3 million was in other participant resource savings, such as fossil fuel and water.

Table 3 provides the Rhode Island benefit/cost (B/C) ratios for the residential and C&I programs. The B/C ratios incorporate the total value, implementation expenses, evaluation costs and shareholder incentive resulting from the Company's implementation of the programs during 2003.

Table 4 shows the incentive calculation. Table 4 demonstrates that the Company earned \$712,557 for the successful implementation of its programs in 2003.

The DSM fund balance is shown in Table 5. Table 6 describes the Company's C&I programs, and Table 7 describes the Company's residential programs.

## *Commercial and Industrial Programs*

In 2003, the C&I programs were cost effective with an overall Rhode Island benefit/cost ratio of 3.42. More information regarding the descriptions of the C&I programs can be found in Table 6.

## *Large Commercial and Industrial Programs*

For the Large C&I programs, Energy Initiative and Design 2000*plus*, the Company achieved 113% of the targeted annual energy savings and 119% of targeted annual kW savings while spending 89% of the implementation budget. The Rhode Island B/C ratio for the Large C&I programs was 3.97.

The chart below shows the 2003 rebate and commitment budget, rebates paid in 2003, and total outstanding commitments for the Design 2000*plus* and Energy Initiative programs at year-end. The total amount of rebates paid in 2003 plus outstanding commitments at year-end was \$10.7 million, which is 6% lower than the final 2003 rebate and commitment budget of \$11.4 million.

<i>2003 Design 2000plus and Energy Initiative Spending and Commitments<sup>3</sup></i>				
	(1) 2003 Rebate and Commitment Budget	(2) Rebates Paid in 2003	(3) Total Outstanding Commitments at Year-end	(4) Total Rebates Paid and Commitments for 2004
Design 2000plus	\$4,661,900	\$2,016,230	\$2,326,506	\$4,342,736
Energy Initiative	\$6,748,800	\$3,440,285	\$2,890,713	\$6,330,998
<b>Total</b>	<b>\$11,410,700</b>	<b>\$5,456,515</b>	<b>\$5,217,219</b>	<b>\$10,673,734</b>

### *Small Commercial and Industrial Programs*

The Company offered its Small Business Services (SBS) Program to the Small Commercial and Industrial sector. With respect to the Small Business Services program, the Company spent 113% of the implementation budget and achieved 140% of targeted annual energy savings and 139% of targeted annual kW savings. The SBS program achieved a Rhode Island benefit/cost ratio of 1.86.

### *Residential Programs*

In 2003, the residential programs were cost-effective with an overall Rhode Island benefit/cost ratio of 2.48. The Company spent approximately 107% of the residential implementation budget and achieved 149% of targeted annual energy savings and 127% of targeted annual kW savings. Descriptions of the residential programs are contained in Table 7.

<sup>3</sup> Amounts in column (1) reflect budget adjustments made pursuant to the True-Up Filing. The amounts in columns (2) and (3) were obtained from the Company's DSM database. Column (4) is equal to the sum of columns (2) and (3).

**NARRAGANSETT ELECTRIC COMPANY**

**Table 1. Summary of 2003 Target and Year End Results**

	Demand Reduction (Annual kW)			Energy Savings (Annual MWh)			Customer Participation (Completed Projects)			Implementation Expenses (\$ 000)		
	Approved Target	Year End	Pct Achieved	Approved Target (6)	Year End	Pct Achieved	Approved Target	Year End	Pct Achieved	Approved Budget (1)	Year End	Pct Achieved
<b>Large Commercial &amp; Industrial</b>												
Design 2000 <i>plus</i> (2)(3)	2,239	2,239	100.0%	9,932	8,744	88.0%	254	239	94.1%	\$3,591.8	\$2,723.9	75.8%
Energy Initiative (2)(3)	3,165	4,185	132.2%	14,694	18,981	129.2%	377	338	89.7%	4,257.2	4,267.3	100.2%
<b>SUBTOTAL</b>	<b>5,404</b>	<b>6,424</b>	<b>118.9%</b>	<b>24,626</b>	<b>27,725</b>	<b>112.6%</b>	<b>631</b>	<b>577</b>	<b>91.4%</b>	<b>\$7,849.1</b>	<b>\$6,991.2</b>	<b>89.1%</b>
<b>Small Commercial &amp; Industrial</b>												
Small Business Services (4)	1,216	1,687	138.8%	3,818	5,357	140.3%	769	662	86.1%	\$2,138.9	\$2,410.6	112.7%
<b>SUBTOTAL</b>	<b>1,216</b>	<b>1,687</b>	<b>138.8%</b>	<b>3,818</b>	<b>5,357</b>	<b>140.3%</b>	<b>769</b>	<b>662</b>	<b>86.1%</b>	<b>\$2,138.9</b>	<b>\$2,410.6</b>	<b>112.7%</b>
<b>Residential</b>												
<b>IN-HOME</b>	<b>3,610</b>	<b>3,417</b>	<b>94.7%</b>	<b>4,918</b>	<b>5,016</b>	<b>102.0%</b>	<b>11,060</b>	<b>10,896</b>	<b>98.5%</b>	<b>\$3,441.3</b>	<b>\$3,538.1</b>	<b>102.8%</b>
Low Income	195	167	85.8%	1,115	967	86.7%	700	605	86.4%	952.0	1,039.4	109.2%
Energy Wise	797	867	108.8%	3,803	4,049	106.5%	5,768	5,951	103.2%	2,330.0	2,411.7	103.5%
Home Energy Management (5)	2,618	2,383	91.0%	0	0	n/a	4,592	4,340	94.5%	159.3	86.9	54.6%
<b>PRODUCTS</b>	<b>2,748</b>	<b>4,678</b>	<b>170.2%</b>	<b>9,227</b>	<b>15,903</b>	<b>172.4%</b>	<b>52,190</b>	<b>80,505</b>	<b>154.3%</b>	<b>2,121.2</b>	<b>2,298.1</b>	<b>108.3%</b>
Energy Star Products	204	473	232.3%	574	959	167.0%	3,440	7,125	207.1%	448.6	559.6	124.8%
Residential Lighting	2,442	4,146	169.8%	8,585	14,901	173.6%	48,000	72,691	151.4%	1,168.6	1,246.7	106.7%
Energy Star Heating System	6	6	109.1%	11	12	108.5%	550	597	108.5%	308.2	316.5	102.7%
High Efficiency Central AC Program	97	53	54.8%	56	31	54.5%	200	92	46.0%	195.8	175.2	89.5%
<b>INFORMATION AND EDUCATION</b>	<b>0</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>0</b>	<b>n/a</b>	<b>0</b>	<b>0</b>	<b>n/a</b>	<b>106.9</b>	<b>102.9</b>	<b>96.2%</b>
<b>NEW CONSTRUCTION</b>	<b>108</b>	<b>119</b>	<b>110.3%</b>	<b>141</b>	<b>377</b>	<b>266.7%</b>	<b>300</b>	<b>267</b>	<b>89.0%</b>	<b>521.3</b>	<b>656.4</b>	<b>125.9%</b>
<b>SUBTOTAL</b>	<b>6,466</b>	<b>8,214</b>	<b>127.0%</b>	<b>14,286</b>	<b>21,296</b>	<b>149.1%</b>	<b>63,550</b>	<b>91,668</b>	<b>144.2%</b>	<b>\$6,190.8</b>	<b>\$6,595.5</b>	<b>106.5%</b>
<b>TOTAL (4)</b>	<b>13,085</b>	<b>16,325</b>	<b>124.8%</b>	<b>42,730</b>	<b>54,378</b>	<b>127.3%</b>	<b>64,950</b>	<b>92,907</b>	<b>143.0%</b>	<b>\$16,178.8</b>	<b>\$15,997.3</b>	<b>98.9%</b>

NOTES

- (1) Approved Implementation Budget matches May 30, 2003, Filing Budget Modification ("True Up Filing"), Revised Attachment 6 page 1 of 3, "Program Implementation Expenses" Column with following two exceptions: (a) A transfer of \$50,000 to the Energy Star Heating Program from the Energy Star Air Conditioning Program was made effective October 1, 2003 and (b) the Large C&I program budgets were adjusted to account for the shortfall in year-end commitments of \$432,781 below the commitment budget. The shortfall in commitments is added to the spending budget, per the 2003 Amended Settlement.
- (2) Approved Budget and Year End Implementation Expenses for Design 2000*plus* and Energy Initiative exclude commitments. The 2003 commitment budget was estimated to be \$2,100,000 for Design 2000*plus* and \$3,550,000 for Energy Initiative; Actual commitments made in 2003 for 2004 are \$2,326,506 and \$2,890,713, respectively.
- (3) Year End Implementation Expenses for Design 2000*plus* are net of technical assistance copays of \$54,034; Year End Implementation Expenses for Energy Initiative are net of technical assistance copays of \$15,886.
- (4) Approved Budget and Year End Implementation Expenses for the Small Business Services Program are net of all copay amounts to be collected from 2003 participants. Copayments for 2003 installations are \$560,211 in the Approved Budget and \$481,668 in Year End Expenses.
- (5) Funds expended for maintenance of Home Energy Management savings from system installed prior to 1998. Participation reflects attrition through the year.
- (6) Approved Target MWh and kWh savings do not match May 30 2003 True Up Filing, Revised Attachment 6, page 2 of 3, because Targets here reflect final spending budgets, as referenced in Note (1), as well as most recent evaluation results obtained during 2003, per the Amended Settlement of the Parties, December 17, 2002, page 10.

**NARRAGANSETT ELECTRIC COMPANY**

**Table 2. Summary of Implementation Expenses, Value, kW, and kWh by Program  
2003 Program Year**

	Implem. Expenses (000's)	Value (000's)						Load Reduction in kW				MWh Saved	
		Total	Capacity	Energy		MDC	Participant Resource	Maximum Annual	Winter	Summer	Lifetime	Annual	Lifetime
				On Peak	Off Peak								
<b>Large Commercial &amp; Industrial</b>													
Design 2000plus (1)(2)	\$2,724	\$9,188	\$2,153	\$3,841	\$1,910	\$1,284	\$0	2,239	1,553	1,853	35,510	8,744	136,459
Energy Initiative (1)(2)	4,267	20,270	4,590	9,086	3,928	2,666	0	4,185	2,665	3,939	71,640	18,981	306,767
<b>SUBTOTAL</b>	<b>\$6,991</b>	<b>\$29,458</b>	<b>\$6,743</b>	<b>\$12,927</b>	<b>\$5,838</b>	<b>\$3,950</b>	<b>\$0</b>	<b>6,424</b>	<b>4,218</b>	<b>5,792</b>	<b>107,150</b>	<b>27,725</b>	<b>443,226</b>
<b>Small Commercial &amp; Industrial</b>													
Small Business (3)	\$2,411	\$4,778	\$1,231	\$2,021	\$788	\$737	\$0	1,687	1,026	1,505	19,932	5,357	63,650
<b>SUBTOTAL</b>	<b>\$2,411</b>	<b>\$4,778</b>	<b>\$1,231</b>	<b>\$2,021</b>	<b>\$788</b>	<b>\$737</b>	<b>\$0</b>	<b>1,687</b>	<b>1,026</b>	<b>1,505</b>	<b>19,932</b>	<b>5,357</b>	<b>63,650</b>
<b>Residential</b>													
<b>IN-HOME</b>	\$3,538	\$4,553	\$778	\$1,241	\$1,175	\$811	\$548	3,417	3,416	1,818	14,774	5,016	59,195
Low Income	1,039	1,131	147	286	268	142	287	167	166	102	2,363	967	13,805
Energy Wise	2,412	3,133	508	955	906	502	262	867	867	335	10,028	4,049	45,390
Home Energy Management	87	289	122	0	0	167	0	2,383	2,383	1,381	2,383	0	0
<b>PRODUCTS</b>	\$2,298	\$11,419	\$1,812	\$2,920	\$2,914	\$2,032	\$1,741	4,678	4,280	1,124	42,300	15,903	141,735
Energy Star Products	560	2,429	353	275	258	249	1,293	473	128	473	5,938	959	13,216
Residential Lighting	1,247	8,438	1,411	2,630	2,642	1,754	0	4,146	4,146	597	35,333	14,901	127,823
Energy Star Heating System	317	459	2	3	3	3	448	6	6	0	72	12	143
High Efficiency Central AC Program	175	93	46	11	10	26	0	53	0	53	957	31	553
<b>INFORMATION AND EDUCATION</b>	\$103	0	0	0	0	0	0	0	0	0	0	0	0
<b>NEW CONSTRUCTION</b>	\$656	\$1,502	\$95	\$121	\$116	\$88	\$1,080	119	91	50	2,162	377	6,142
<b>SUBTOTAL</b>	<b>\$6,595</b>	<b>\$17,474</b>	<b>\$2,685</b>	<b>\$4,282</b>	<b>\$4,205</b>	<b>\$2,931</b>	<b>\$3,370</b>	<b>8,214</b>	<b>7,787</b>	<b>2,992</b>	<b>59,236</b>	<b>21,296</b>	<b>207,072</b>
<b>Total</b>	<b>\$15,997</b>	<b>\$51,709</b>	<b>\$10,660</b>	<b>\$19,230</b>	<b>\$10,831</b>	<b>\$7,618</b>	<b>\$3,370</b>	<b>16,325</b>	<b>13,031</b>	<b>10,289</b>	<b>186,318</b>	<b>54,378</b>	<b>713,948</b>

Notes

(1) Year-End Implementation Expenses by Program from Table 1.

**Table 3. Summary of B/C Ratios, Value, Expenses, Customer and Evaluation Costs (\$000's)  
2003 Program Year**

	Rhode Island Benefit/Cost (1)	Value Total	Implementation Expenses (2)	Evaluation Cost (3)	Shareholder Incentives (4)
<b>Large Commercial &amp; Industrial</b>					
Design 2000 <i>plus</i> (4)	3.16	\$9,188.2	\$2,723.9	\$90.6	\$88.8
Energy Initiative (4)	4.49	20,269.5	4,267.3	57.1	192.8
<b>SUBTOTAL</b>	<b>3.97</b>	<b>\$29,457.7</b>	<b>\$6,991.2</b>	<b>\$147.7</b>	<b>\$281.7</b>
<b>Small Commercial &amp; Industrial</b>					
Small Business Services (4)	1.86	4,777.6	2,410.6	44.9	\$120.0
<b>SUBTOTAL</b>	<b>1.86</b>	<b>\$4,777.6</b>	<b>\$2,410.6</b>	<b>\$44.9</b>	<b>\$120.0</b>
<b>SUBTOTAL C&amp;I</b>	<b>3.42</b>	<b>\$34,235.4</b>	<b>\$9,401.8</b>	<b>\$192.6</b>	<b>\$401.7</b>
<b>Residential</b>					
<b>IN-HOME</b>	<b>1.25</b>	<b>\$4,553.1</b>	<b>\$3,538.1</b>	<b>\$26.2</b>	<b>\$73.2</b>
Low Income	1.07	1,130.9	1,039.4	0.0	14.1
Energy Wise	1.25	3,133.4	2,411.7	26.2	59.1
Home Energy Management	3.32	288.8	86.9	0.0	0.0
<b>PRODUCTS</b>	<b>4.39</b>	<b>\$11,419.0</b>	<b>\$2,298.1</b>	<b>\$69.6</b>	<b>\$232.1</b>
Energy Star Products	3.85	2,428.5	559.6	56.5	14.0
Residential Lighting	5.72	8,438.1	1,246.7	12.2	217.5
Energy Star Heating System	1.45	459.2	316.5	0.0	0.2
High Efficiency Central AC Program	0.53	93.1	175.2	1.0	0.4
<b>INFORMATION AND EDUCATION</b>	<b>0.00</b>	<b>\$0.0</b>	<b>\$102.9</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>NEW CONSTRUCTION</b>	<b>2.14</b>	<b>\$1,501.5</b>	<b>\$656.4</b>	<b>\$39.9</b>	<b>\$5.5</b>
<b>SUBTOTAL RES</b>	<b>2.48</b>	<b>\$17,473.6</b>	<b>\$6,595.5</b>	<b>\$135.7</b>	<b>\$310.9</b>
Non-Specific Planning and Evaluation				<b>\$40.2</b>	
<b>TOTAL</b>	<b>3.03</b>	<b>\$51,709.0</b>	<b>\$15,997.3</b>	<b>\$368.5</b>	<b>\$712.6</b>

Notes:

- (1) RI Benefit/Cost = (Value/(Program Expenses + Evaluation Cost + Shareholder Incentiv
- (2) Year-End Implementation Expenses by Program from Table 1.
- (3) Narragansett Electric Company's evaluation cost including staff labor costs and outside contractor services.
- (4) Shareholder incentives earned by sectors have been allocated to programs based on annual kWh savings.

**Table 4. The Narragansett Electric Company 2003 DSM Incentive Calculation**

	(1)	(1a)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
<b>DSM Program Sectors</b>	True-Up Spending Budget	Year End Spending Budget	Incentive Rate	Target Incentive	Savings Goal (Annual kWh)	Threshold Savings (Annual kWh)	Above Threshold kWh	Incentive per Above Threshold kWh	Actual kWh	Actual Above Threshold kWh	Calculated Incentive	Earned Incentive
Residential	\$6,217,561	\$6,217,561	5.0%	\$310,878	14,285,961	6,428,683	7,857,279	\$0.0396	21,295,985	14,867,302	\$588,234	\$310,878
Small Commercial & Industrial	\$2,000,051	\$2,000,051	6.0%	\$120,003	3,817,570	1,717,906	2,099,663	\$0.0572	5,356,739	3,638,833	\$207,972	\$120,003
Large Commercial & Industrial	<u>\$7,615,101</u>	<u>\$8,047,882</u>	3.5%	<u>\$281,676</u>	<u>24,626,001</u>	11,081,701	13,544,301	\$0.0208	27,724,860	16,643,159	<u>\$346,122</u>	<u>\$281,676</u>
Total	\$15,832,713	\$16,265,494		\$712,557	42,729,532						\$1,142,328	\$712,557

- Column 1: True-Up Spending Budget from May 30, 2003, Budget Modification Memorandum in Docket 3463 ("True-Up Filing"), Revised Attachment 5. Excludes the following: Home Energy Management; Energy Initiative and Design 2000plus commitments; and Small Business Services co-pay funds projected to be received in 2003.
- Column 1a: Column 1 adjusted for undercommitted year end funds (\$432,781) added to Large C&I.
- Column 3: Column 1a \* Incentive Rate
- Column 4: kWh revised to be consistent with year end budget in Column 1a and using most recent evaluation impacts.
- Column 5: Column 4 \* 0.45 (45% Threshold).
- Column 6: Column 4 - Column 5.
- Column 7: Column 3 / Column 6
- Column 8: Year End Savings from Table 1
- Column 9: Column 8 - Column 5
- Column 10: Column 9 \* Column 7
- Column 11: Equal to Column 3, if Column 10 greater than Column 3; Equal to Column 10, if Column 10 less than or equal to Column 3.

TABLE 5

**THE NARRAGANSETT ELECTRIC COMPANY  
DEMAND - SIDE MANAGEMENT ANALYSIS OF 2003 FUND BALANCE**

12 Months Actual 2003

FIRST HALF 2003 - Total C&LM Revenue/Expense for Jan-June 2003

	<u>Actual</u> <u>JAN</u>	<u>Actual</u> <u>FEB</u>	<u>Actual</u> <u>MAR</u>	<u>Actual</u> <u>APRIL</u>	<u>Actual</u> <u>MAY</u>	<u>Actual</u> <u>JUNE</u>	<u>6MTHS</u> <u>Y.T.D</u>
1. DSM Revenue	\$1,389,814	\$1,290,243	\$1,270,687	\$1,141,404	\$1,120,074	\$1,138,057	\$7,350,279
1a. Leasing Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<u>2. Customer Co-Payments</u>	<u>\$44,365</u>	<u>\$40,668</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$9,353)</u>	<u>\$75,680</u>
3. Total Revenue	\$1,434,179	\$1,330,911	\$1,270,687	\$1,141,404	\$1,120,074	\$1,128,704	\$7,425,959
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4. Total Expenses	\$875,079	\$926,981	\$1,364,010	\$1,490,214	\$1,104,031	\$1,877,507	\$7,637,822
5. DSM Incentive	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6. Cash Flow Over/(Under)	\$559,100	\$403,930	(\$93,323)	(\$348,810)	\$16,043	(\$748,803)	(\$211,863)
<hr/>							
7. Start of Period Balance	\$7,410,003	\$7,996,337	\$8,429,302	\$8,365,668	\$8,045,869	\$8,090,437	\$7,410,003
8. End of Period Balance Before Interest	\$7,969,103	\$8,400,266	\$8,335,979	\$8,016,858	\$8,061,913	\$7,341,634	\$7,198,140
<hr/>							
9. Approximate Interest on Fund	\$27,234	\$29,036	\$29,689	\$29,011	\$28,524	\$27,135	\$170,629
10. End of Period Balance After Interest	\$7,996,337	\$8,429,302	\$8,365,668	\$8,045,869	\$8,090,437	\$7,368,769	\$7,368,769

Line 1: SMB702-01 C&LM Revenue

Line 1a: Lease payments from other utilities for use of programs

Line 2: Customer payments

Line 3: Line 1 + Line 1a + Line 2

Line 4: Source NEBL/702

Line 6: Line 3 - (Line 4 + Line 5)

Line 7: Line 10 of Previous Month

Line 8: Line 6 + Line 7

Line 9: Interest Rates:	Jan. = 4.25%	Feb. = 4.25%	Mar. = 4.25%	Apr. = 4.25%
May = 4.25%	Jun. = 4.22%	Jul. = 4.00%	Aug. = 4.00%	Sep. = 4.00%
Oct. = 4.00%	Nov. = 4.00%	Dec. = 4.00%		

Line 10: Line 8 + Line 9



Table 6: Commercial and Industrial Programs

Program Name	Description
<b>Design 2000<i>plus</i> Program</b>	<p>Promotes energy efficient design and construction practices in new and renovated commercial, industrial, and institutional buildings. The program also promotes the installation of high efficiency equipment in existing facilities during building remodeling and at the time of equipment failure and replacement. Design 2000<i>plus</i> is known as a lost opportunities program because a customer who does not install energy efficient equipment at the time of new construction or equipment replacement will likely never make the investment for that equipment or will make the investment at a much greater cost at a later time.</p> <p>Design 2000 <i>plus</i> provides both technical and design assistance to help customers identify efficiency opportunities in their new building designs and to help them refine their designs to pursue these opportunities. The program also offers rebates to eliminate or significantly reduce the incremental cost of high efficiency equipment over standard efficiency equipment. Commissioning or quality assurance is also offered to ensure that the equipment and systems operate as intended.</p>
<b>Energy Initiative Program</b>	<p>Energy Initiative is a comprehensive retrofit program designed to promote the installation of energy efficient electric equipment such as lighting, motors, and heating, ventilation and air conditioning (HVAC) systems in existing buildings. All commercial, industrial, and institutional customers are eligible to participate. The Company offers technical assistance to customers to help them identify cost-effective conservation opportunities, and pays rebates to assist in defraying part of the material and labor costs associated with the energy efficient equipment.</p>
<b>Small Business Services Program</b>	<p>The Small Business Services Program provides direct installation of energy efficient lighting and non-lighting retrofit measures. Customers with average monthly demand of less than 100 kW or annual energy usage of less than 300,000 kWh are eligible to participate. The program's lighting measures are delivered through one labor and one product vendor selected through a competitive bidding process. The labor vendor performs lighting analysis, installs measures, and inputs data into a database. Refrigeration measures are performed by a different vendor. These measures include cooler door heaters, fan controls, and freezer door heater controls. The customer pays 35% of the total cost of a retrofit. This amount is discounted 15% for a lump sum payment or the customer has the option of spreading the payments over a two-year period interest free.</p>

Table 7: Residential Programs

Program Name	Description
<b>In Home Services</b>	The EnergyWise program addresses baseload electric use as well as electric heat in all residential buildings. The low income program, also known as the Appliance Management Program, is delivered by the State Energy Office and local Community Action agencies. It provides the same services as the EnergyWise program, but no customer contribution is required.
<b>Home Energy Management</b>	HEM provides direct control of residential water heaters. It has been closed to new customers in Rhode Island since Jan. 1, 1998. Funding provides for maintenance of the existing communication system and control of over 4,000 water heaters.
<b>ENERGY STAR Products</b>	Included in this initiative is the ENERGY STAR Appliance Program which promotes the purchase of high efficiency major appliances (refrigerators, dishwashers, clothes washers, room air conditioners) that bear the ENERGY STAR Label. It is offered by several utilities throughout the region. Year round rebates of \$50 were provided for clothes washers and seasonal rebates of \$25 were offered for air conditioners.
<b>Residential Lighting</b>	This is an initiative implemented jointly with other regional utilities. It provides discounts to customers for the purchase of ENERGY STAR compact fluorescent lamps and fixtures through instant rebates or special promotions at retail stores or a mail order catalog.
<b>ENERGY STAR Heating</b>	Homeowners purchasing or replacing an existing oil or propane heating system with a qualifying Energy Star heating system are eligible to receive a rebate to defray the cost of the higher efficiency system. Funding is provided by Narragansett Electric and administered by the state energy office.
<b>High Efficiency Central A/C Program</b>	This program promotes the installation of high efficiency central air conditioners. 2003 was the first full year of this program's implementation. The program provides training of contractors in installation, testing of the high efficiency systems and rebates for ENERGY STAR systems
<b>New Construction</b>	The ENERGY STAR Homes Program promotes the construction of energy efficient homes by offering technical and marketing assistance, as well as cash incentives to builders of new energy efficient homes that comply with the program's performance standards.
<b>Education</b>	The Company promotes energy education in schools through the National Energy Education Development (N.E.E.D) Program. This program provides curriculum materials and training for a comprehensive energy education program. The Company also supports the ENERGY STAR Homes Vocational School Initiative which trains students at the Woonsocket and Warwick Area Career and Technical Centers to be ENERGY STAR certified builders and the "Kids for Conservation" program.